In the backdrop of surgical strike on Fake Indian Currency Notes (FICN), Rs.500 and Rs.1000 denomated bills have been withdrawn on midnight of 9th Nov. The next day, the honorable Finance Minister Shri Arun Jaitley has nudged all Indians to move to cashless economy. The word cashless and economy said together first sounds like an oxymoron. However they are possible and can be implemented with various degrees of patronisation towards various demographics of people. Surely a digital wallet is well adaptable to a Gen Y person in an urban setup compared to grocery shop owner in a rural town. But, insurmountable it may seem, I strongly believe, its possible and I had always dreamt of it.

To demystify the oxymoron cashless-economy, let us first look at the various types of "Legal Tender". A "Legal Tender" is a medium of payment recognized by a legal system to be valid for meeting a financial obligation. (Source Wikipedia). Now any such obligation, if satisfied, without an exchange of cash, is a Cashless Society. Refer to wikipedia on Cashless Society https://en.wikipedia.org/wiki/Cashless\_society for a good read on it.

So, coming back from all the esoteric talking, let’s see the available options such that a legal tender can be satisfied without any CASH exchange.

1. Credit Card
2. Debit Card
3. Prepaid Card
4. Netbanking
5. NEFT/RTGS
6. IMPS
7. United Payment Interface (UPI)
8. Digital Wallet

For readers, I would refrain from crowding this post with individual definition, there are numerous posts to explain them. I would rather try to make a comprehensive comparison so that the user may decide the possible option depending on various situations. I hope that by the below factual comparison, the reader or the user shall be able to exercise discretion of merits and demerits depending on his behavioral traits.

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| --- | --- | --- | --- | --- | --- |
| **Mode of Cashless Legal Tender** | **Materiality** | **Authentication** | **Utilization Scenarios** | **Risks of fraudulence** | **Remarks** |
| Credit Card | Physical Card made of plastic with a chip embedded on it | Personal Identification Number (PIN) | Point of Sales (POS) outlet, Online Shopping, Payment of Utility Bills | Due to nature of physical card, the risks of theft or cloning are high and can cause major financial grief to its vulnerable owners. However, with third level authentication of OTP or PIN, it has turned safer. | The safety of the PIN is paramount. However, PIN has been compromised many a times by a vulnerable user and vigilance on part of the user is warranted. However a transaction can be disputed. |
| Debit Card | -do- | PIN | -do- | -do- | Compromise of the PIN can wipe the user’s funds and it cannot be recovered. |
| Prepaid Card | Physical Card made of plastic with either a chip embedded on it or a magnetic strip | PIN | Point of Sales (POS) outlet, Online Shopping | -do- |  |
| Netbanking | Virtual existence and stays in human memory | Userid and Password | Point of Sales (POS) outlet, Online Shopping, Payment of Utility Bills | Userid and Password compromise can be disastrous. Vigilance and awareness is the only cure and can be exercised. Medium risk. |  |
| NEFT/RTGS | No physical existence | One Time Password (OTP) | Payment to Debtor and/or money transfer | The above risk of Netbanking is here as well. However, due to the second level authentication of OTP, the risk decreases by one notch. | Sharing Account Number and IFS Code to 3rd party does not elicit a lot of confidence. |
| IMPS | No physical existence | OTP | -do- | -do- | The above risk prevails. Also, IMPS is chargeable. |
| UPI | Unique Virtual Address of both parties with no physical existence | Mobile PIN (MPIN) | -do- | The authentication is two layers. Application authentication and then Mobile PIN. Moreover the obfuscation of the sender’s and receiver’s “physical” Account Number and IFS Code combination renders a better security. Low risk |  |
| Digital Wallet | Tagged to Mobile phone number | OTP | **ALL OF THE ABOVE** i.e.Point of Sales (POS) outlet, Online Shopping, Payment of Utility Bills, Payment to Debtor and/or money transfer.  | The mobile phone and SIM card is the only authentication. Now, if a mobile phone is lost, in today’s world, it is a grave risk and can land the person in serious threat. Consider the person is careful with the mobile phone, risks are minimal. Here the senders and receivers actual account number and IFS code are also masked. | The digital wallet balance is created by a credit card/debit card/Netbanking and then the funds can be used to disburse to various parties. The biggest advantage is to pay unrelated and unknown people like Taxi/Auto bills, Petty purchases which are one-time payments. |

Dear readers, I have generally used all the above payment methods for various purposes. Like people who are on my payroll i.e. Driver, Maid, Babysitter, Cook, Gardener, Sweeper et al are paid via NEFT. I use UPI when I am required to align my account balance on a Saturday/Sunday or Holidays as NEFT is non-functional. However, when it comes to paying in Uber, Utility Bills, Bigbasket or Swiggy, it has to be Paytm due to cash back.

**Disclaimer**: Please do not construe my last statement as promoting Paytm by any margin and its incidental that I use this Digital wallet. There are other digital wallets and I have not tried them yet. You can choose anyone which you are comfortable with.